GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA

UNSTARRED QUESTION NO:753
ANSWERED ON:21.02.2003
NEW FOODGRAIN POLICY
BHUPENDRASINH PRABHATSINH SOLANKI;T.M. SELVAGANAPATHI

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether the high level committee formed to formulate new Foodgrain Policy has submitted its report;

(b) if so, the details thereof; and

(c) if not, the reasons for the delay and time by which it is likely to be submit its reports?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (SHRI SUBHASH MAHARIA)

(a)&(b): The High Level Committee constituted under the Chairmanship of Prof. Abhijit Serto formulate a Long Term Grain Policy has submitted its report on 31st July, 2002.

The Committee has made far-reaching recommendations with regard to the policy in the short as well as long run on:-

(i) Foodgrains-based welfare schemes;

(ii) Public Distribution System;

(iii) Minimum Support Prices and Procurement Policy;

(iv) Policy on Open Market Sales, Exports and Imports;

(v) Role of private trade; and

(vi) FCI

The details of the recommendations are annexed.

(c): Does not arise.
ANNEX

ANNEX REFERRED TO IN REPLY TO PARTS (a)&(b) OF THE UNSTARRED QUESTION NO.753 DUE FOR ANSWER ON 21.02.2003 IN THE LOK SABHA.

Report of the High Level Committee on Long Term Grain Policy:
Major Recommendations

The Chairman of the High Level Committee on Long Term Grain Policy, Prof. Abhijit Sen submitted the Final Report of the Committee to Shri Sharad Yadav, Minister of Consumer Affairs, Food & Public Distribution. The Committee Members included, inter alia, Dr. R. Radhakrishna, Director, Indira Gandhi Institute of Development Research, Mumbai Dr. Madhura Swaminathan, Professor of Economics, ISI Kolkata, Shri A. Mohandas Moses, ex-MD FCI and Dr. S.N. Kaul, Consultant, Department of Economic Affairs, New Delhi.

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Long Run Recommendations

(i) Welfare Schemes

With regard to the welfare schemes, the Committee has recommended a massive foodgrains employment programme, expansion of the existing Antyodaya scheme to cover the entire destitute population, Central support for moving to a cooked Mid day Meals scheme for all school-going children and strengthening programmes for women and children.

(ii) PDS

With regard to the Public Distribution System, the Committee has recommended a system of Universal PDS with uniform Central Issue Prices for rice and wheat for all consumers in all parts of the country. The Committee has also recommended that an additional subsidy meant for poor consumers or persons in relatively backward regions should be given in cash to States. Other recommendations for streamlining the PDS include the setting up of an independent watchdog body, relaxation of restrictions on eligibility to be a licensed fair price shop dealer, effective implementation of the PDS (Control) Order, 2001 and greater responsibilities to be given to Panchayati Raj Institutions.

(iii) MSP and Procurement Policy

With regard to Minimum Support Prices, the Committee has recommended that the MSP policy should continue with an immediate correction. The Committee has recommended that the Commission for Agricultural Costs and Prices (CACP) should go strictly on the basis of C2 cost of production (i.e. all costs including the imputed costs of family labour, owned capital and rental on land) in more efficient regions. It has also recommended that the MSP should have statutory status and the CACP should be made an empowered statutory body.

It has further recommended to take care of the States which impose excessive levies on MSP purchase, the Central Government may announce its MSP policy by declaring a procurement price inclusive of a uniform 4% allowance, which should be the maximum price payable for MSP purchases. At this MSP price, the Central Government should underwrite open-ended purchase of FAQ grains to assure growers an adequate return on their cost.

The Committee has also recommended that FCI`s operation should focus more on Eastern and Central India than in the past. The Committee has further recommended that while the Centre should continue to take primary responsibility for procurement, procurement should also become more dispersed. With regard to coarse grains, the Committee has recommended that MSP operations should be decentralized to State Governments with full financial support from the Centre.

Another major recommendation of the Committee is that all compulsory levy orders on rice millers under the Essential Commodities Act should be removed with immediate effect and be replaced by orders requiring mills to custom mill the paddy procured under MSP and give delivery of the resultant rice to the Central Pool.

To ensure improvement in quality, the Committee has recommended that Fair Average Quality (FAQ) norms should be adhered to strictly in all purchases of grains. In unforeseen circumstances if below FAQ norms grains are procured, they should not be taken to the Central Pool and should be disposed of at commercial terms.

Along with the correct MSP policy, the Committee has recommended that the Central Government should explore expeditiously with the insurance sector the commercial viability of insurance, devised strictly on actuarial principles, against shortfalls not only of yield but also of prices from their past averages computed on an area basis. Any start-up subsidy required for this should be phased out within two years of implementation for all except poor and marginal farmers.

The Committee has also recommended measures for crop diversification given the changing dietary patterns.

(iv) Open market sales, export and imports With regard to open market sales, the Committee has recommended that the prices should be based on the corresponding Central Issue Prices plus the full cost of transport and storage as well as market conditions.

With regard to export and imports of foodgrains, the Committee has recommended that it should be based on the system of variable tariffs and the exports should be entirely on private account.

(v) Role of private trade

The Committee has recommended that barriers to private trade should be eased. The Essential Commodities Act should in normal circumstances apply only to situations of natural disasters or other contingencies. However, it has recommended that a new set of orders, on the lines of PDS (Control) Order, 2001 may be required to apply to those who voluntarily enter activities encompassed in public procurement and distribution.

(vi) FCI

With regard to the Food Corporation of India, the Committee has expressed the opinion that it hasperformed its role reasonably well and should continue to do so. It has recommended that FCIshould move into areas where reports of distress sale continue to be received and in such areas FCI should open procurement centres. It has further recommended that FCI should change the wayit does business to enable fast commercial oriented decision-making. It has recommended that the FCI should develop a work culture of total quality management. The Committee has recommended that the FCI`s role should be confined to procurement of major cereals for the PDS, i.e. rice and wheat and price support operations in coarse cereals should be handled by State agencies.

The Committee has suggested that the FCI should identify areas of cost control by normating of FCI`s costs based on the norms recommended by the BICP. The Committee has also suggested several measures to cut down the storage and transit losses.

Short Run Recommendations

For the immediate short run, the Committee has recommended lowering of the MSP to average C2 cost,steps to be taken to give statutory status to MSP, removal of levy orders on rice millers and strict maintenance of quality specifications. Lowering of the C2 cost has been recommended along with a compensation package to be given to State Governments for compensating its cultivators, estimated at a total of Rs. 3915 crores.

The Committee has recommended that the State Governments should be free to offer thiscompensation to farmers in any one or combination of the following:

i) Direct per hectare transfer to farmers
ii) Subsidising premiums on insurance schemes on crop incomes/yield
iii) Specific crop diversification schemes
iv) Other credit/input linked schemes to offset cost, including electricity

The other recommendations for the short run, including shifting of the FCI`s focus to East andCentral India and removal of existing bottlenecks in the decentralized procurement system.

The Committee has recommended several stock reduction measures, including disposal of old and relaxed quality stocks. It has recommended that the lustre lost stocks of wheat should be liquidated by March 31, 2003 and all possible steps should be taken to segregate available stocks by age and quality.

It has further recommended that the FCI implements the method of physical verification within aperiod of three months, keeping in view the new sampling method proposed by the ISI.

With regard to exports, the Committee has recommended that steps should be taken to preventleakages into the domestic market and a review of the current export drive should be taken up as and when stocks come down to 35 million tonnes.

With regard to the PDS, the Committee has endorsed an immediate shift to a unified PDS, which inits view, would bring back many of the poor and moderately poor who have been excluded from the BPL category. The unified system should be accompanied by a uniform CIP for all consumers at Rs 4.50 per kg of wheat and Rs 6 per kg of rice to be accompanied by a transfer of 35 paisa per kg of grain offtake as cash incentive to State Governments, conditional on lifting and accounting. This should be till stocks reduce sufficiently, after which the CIP should be increased towards acquisition cost.

The Committee has further recommended that the allocation under present Sampoorna Gramin RozgarYojna scheme should be doubled and the expansion of the Antyodaya Anna Yojana be initiated.